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RUCNDT/USMISSION USUN NEW YORK 3039  
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RUEHNO/USMISSION USNATO 3250  
RHMFISS/CDR USCENCOM MACDILL AFB FL  
RHEHAAA/NSC WASHDC

UNCLAS SECTION 01 OF 03 BEIRUT 001476

SENSITIVE  
SIPDIS

DEPT FOR NEA/FO, NEA/ELA  
ALSO FOR EEB DEMARCELLUS, GIBBS, JACOBY AND EGAN  
COMMERCE FOR A/S HERNANDEZ, USDOC/ITA REED, LOUSTAUNAU,  
SAMS, WIEGLER  
TREASURY FOR STEPHANIE AHERN  
STATE PASS TO AID FOR JIM BEVER, ELAINE SCOTT  
NSC FOR ABRAMS/RAMCHAND/YERGER/MCDERMOTT  
USAID FOR BEVER/LAUDATO/SCOTT

E.O. 12958: N/A  
TAGS: [PGOV](#) [ECON](#) [EFIN](#) [EINV](#) [ECPS](#) [EINT](#) [EAID](#) [BEXP](#) [LE](#)  
SUBJECT: LEBANON: TELECOM MINISTER ENTHUSIASTIC ON  
PRIVATIZATION, BUT WANTS LIMITS ON FOREIGN OWNERSHIP OF  
MOBILE COMPANIES

SUMMARY  
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¶1. (SBU) In an October 9 meeting with Commerce A/S Israel Hernandez and the Ambassador, Minister of Telecommunications Gebran Bassil inquired about the status of the two missing American journalists and talked about the significance of the case for Lebanon. He was enthusiastic about the Embassy Commercial Service's Made in America trade fair, and said he hoped it would expand to become a regional event in the future.

¶2. (SBU) Bassil talked about his plans for broadband deployment across Lebanon, and believed it would be available to 90 percent of fixed telephone line subscribers by the end of 2009. He expounded on how broadband could contribute to development in Lebanon, from e-government to call centers. He said he was working hard to build the political consensus necessary for privatization of mobile telecom licenses, and that he would advocate a limit on foreign ownership in the privatized firms. End summary.

MISSING AMERICAN JOURNALISTS:  
WE DO NOT WANT TO RETURN TO THE 1980s  
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¶3. (SBU) Visiting Commerce A/S Israel Hernandez, Ambassador, USDOC Foreign Commercial Service ANESA Director Christian Reed, SCO Cairo, EconCommOff, and Senior Commercial Specialist called on Minister of Telecommunications Gebran Bassil in his ministry office October 9. Bassil started the meeting by inquiring about two American journalists who had gone missing in Lebanon, saying the case was very worrying. He said he hoped it would not turn out to be a kidnapping. "We had enough kidnappings in the 80s," he said. "We don't want to go backwards." He returned to the topic several times during the meeting, noting that cases like this were not only tragic in and of themselves, but that they were bad for Lebanon, both politically and economically. (Note: The journalists were located later that day in Syrian custody; they were subsequently released. End note.)

14. (SBU) A/S Hernandez told Bassil that he was in Beirut for the opening of the Made in America trade fair, which took place October 9-11 with the participation of more than 270 exhibitors. He noted that the show had grown dramatically since it was last held in 2005, and that many new companies were participating, showing growing interest in the Lebanese market. Bassil said this was an important event, something that is good for the U.S. as well as Lebanon, and he hoped it would grow bigger in the coming years. He said it was crucial for the event to take place and have a positive impact, since during the 2006 war between Israel and Hizballah, the fair was used by some to make the United States look bad. (Note: During and after the 2006 war, residents took publicity posters from the 2005 Made in America fair and placed them on bombed-out buildings. End note.)

WHAT BROADBAND CAN DO FOR LEBANON

15. (SBU) A/S Hernandez asked Bassil about his major initiatives as Minister. Bassil said he was working hard to expand access to broadband to all parts of Lebanon. He explained that the first step was to reallocate the spectrum, which had previously been allocated in a very inefficient fashion, and he was working with the Telecom Regulatory Authority to do this in a transparent way. Once spectrum allocation was done properly, it would help companies provide

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better service at a lower price. This was a regulatory issue, he said, but meanwhile, "we have an alley and should have a highway."

16. (SBU) Bassil said internet broadband service would be expanded in the coming months in all the major metropolitan areas, and would reach at least 70 percent of fixed telephone line subscribers by the end of 2008. He would then turn to the rural areas, and he believed he could provide access to 90 percent of fixed line subscribers by the end of 2009. Meanwhile, he would also authorize the use of wireless technology, which has not been used in Lebanon extensively, to reach as many people as possible as quickly as possible.

17. (SBU) Bassil thanked the Ambassador and Hernandez for U.S. Embassy support for a new e-North broadband deployment project, whose contributors include the Partnership for Lebanon (a grouping of U.S. companies committed to the reconstruction of Lebanon following the 2006 war), Lebanese and regional information technology associations, and NGOs. Bassil said the project was not moving forward as quickly as he would like, but he liked the premise of the project, to bring broadband to the poor northern regions of Lebanon, and integrate schools and municipalities through broadband connectivity. He said he hoped the project would demonstrate the role information technology can play in development.

18. (SBU) The Minister said he could use U.S. help in bringing call centers to Lebanon, particularly once the broadband infrastructure was deployed. He claimed the centers could create 50,000 jobs in Lebanon, with Voice over Internet Protocol keeping costs low for companies. "We are all trilingual and have a better accent than the Indians. We must make this happen," said Bassil.

19. (SBU) Bassil mentioned that he was planning a forum in Beirut for Lebanese professionals working abroad in the telecom field. He said now was the time to show them the opportunities available in the sector, and hopefully they would bring their talents back to Lebanon.

STATUS OF MOBILE TELECOMS IN LEBANON "SHAMEFUL";  
PRIVATIZATION WILL HAPPEN, BUT TERMS NOT SET YET

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¶10. (SBU) Bassil described the current state of mobile telecoms in Lebanon, saying, "Right now we are in a disastrous situation. In 1994 we were the first in the region to have GSM service, we were ahead of everyone else," he said. Since then, he claimed, nothing has improved, as private mobile companies were nationalized and are now being prepared again for privatization. He noted that cell phone penetration in Lebanon was only 28 percent, and prices were very expensive. "It,s shameful," he said.

¶11. (SBU) Bassil said he was working on forging a political consensus in favor of privatization, something his political position has been helpful in doing. (Note: Bassil is part of the Lebanese opposition. End note.) He said he thought he could "drag" his political partners into the consensus. He said he would hold a workshop around October 22 at which all relevant stakeholders would consider the options for the terms for the auction of mobile licenses to the private sector. They would also have to look at the timing of an auction, he added, in which the status of the international financial crisis would play a role.

¶12. (SBU) The Minister noted that the proceeds of the license sale were to be used to pay part of Lebanon's sovereign debt, which is currently above 170 percent of GDP. He worried that paying off USD 5 billion of a national debt of more than USD 40 billion would only make a small dent in Lebanon's debt position, while the loss of the telecom companies' revenues

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-- which currently account for more than 42 percent of government revenues -- might mean debt would simply mount again following the privatization. He said he was therefore looking at ways of preserving a revenue stream from mobile telecoms after the privatization.

¶13. (SBU) Bassil said he was looking to secure the participation of Lebanese in the privatization, saying he did not want to move from a state monopoly to a monopoly of a foreign operator. He wants to have foreigners bring competition to the market, he said, while Lebanese expertise contributes. He suggested that the state fixed line monopoly Liban Telecom should be issued a third mobile license to give it a chance to compete. Liban Telecom would be privatized later, he said. He believed the two remaining licenses should have limits on foreign ownership, but with management control given to foreigners.

¶14. (SBU) Bassil told A/S Hernandez he would like to see American companies take part in the sale. "This is a good market," he said. "Don,t think of it as the third world. The mentality of the people is different here." Meanwhile, said Bassil, he planned a rapid expansion of service. Lower prices and improved service should bring penetration rates up to 40-50 percent in the next eight months, he said.

COMMENT  
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¶15. (SBU) Bassil is enthusiastic about achieving as much as he can during his tenure as Minister. While his concern about the state of GOL finances is laudable, limiting foreign ownership in the privatized companies may affect the level of interest and price the GOL can receive for the licenses at auction. Insistence on Lebanese participation also could open the door for corruption. End comment.  
SISON